

**SENECA TOWNSHIP
LENAWEE COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
JUNE 30, 2006**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name SENECA TOWNSHIP	County LENAWEE
Fiscal Year End JUNE 30, 2006	Opinion Date DECEMBER 8, 2006	Date Audit Report Submitted to State DECEMBER 11, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

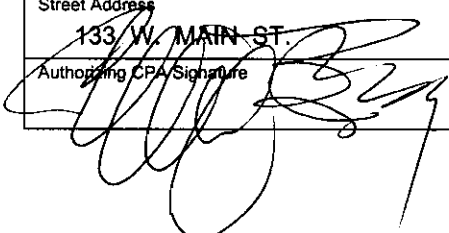
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) PHILIP R. RUBLEY, CPA		Telephone Number (517) 458-2274	
Street Address 133 W. MAIN ST.		City MORENCI	State MI
Zip 49256			
Authorizing CPA Signature 		Printed Name PHILIP R. RUBLEY	License Number 9223

**SENECA TOWNSHIP
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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SENECA TOWNSHIP
Management's Discussion and Analysis
June 30, 2006

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities are both new and provide information about the activities of Seneca Township a government-wide basis. They are designed to present a longer-term view of the Township's finances. Fund financial statements, follow the above-mentioned statements and illustrate how the services provided by the Township were financed in the short term, as well as what remains for future spending. Additionally, fund financial statements report the Township's operations in more detail than the government-wide financial statements.

In a condensed format, the table below shows the net assets as of June 30, 2006.

	<u>Governmental Activities</u>
	<u>2006</u>
Current Assets	\$191,736
Noncurrent Assets:	
Capital Assets	<u>39,701</u>
Total Assets	<u>231,437</u>
Current Liabilities	3,500
Long-Term Liabilities	<u>110,211</u>
Total Liabilities	<u>113,711</u>
Net Assets:	
Invested in Capital Assets	39,701
Unrestricted	<u>78,025</u>
Total Net Assets	<u><u>\$117,726</u></u>

The Township's combined net assets increased 26 percent from a year ago, increasing by \$24,491.

SENECA TOWNSHIP
Management's Discussion and Analysis
June 30, 2006

The following table shows the changes in net assets as of June 30, 2006.

	Governmental Activities
	<u>2006</u>
Revenue	
Program Revenue:	
Charges for Services	\$ 56,350
General Revenue:	
Property Taxes	101,859
Intergovernmental	89,419
Interest	3,439
Other	<u>7,074</u>
Total Revenue	<u>258,141</u>
 Program Expenses	
General Government	52,860
Public Safety	70,491
Public Works	103,088
Community & Economic Development	542
Interest on Long-Term Debt	99
Other Functions	<u>6,570</u>
Total Program Expenses	<u>233,650</u>
 Change in Net Assets	 24,491
 Net Assets – Beginning of Year	 <u>93,235</u>
 Net Assets – End of Year	 <u>\$117,726</u>

SENECA TOWNSHIP
Management's Discussion and Analysis
June 30, 2006

Governmental Activities

The Township's expenses increased for highways, streets and bridges, with the remaining expenses being constant with the prior year.

The Township's Funds

Our analysis of the Township's major funds begins on Page 5, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township board creates funds to help manage money for specific purpose as well as show accountability for certain activities. The Township's major fund for 2006 is the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township administration and Township Board monitor the budget to take into account unanticipated events that occur during the year. No significant changes in revenue occurred in the fiscal year.

Capital Asset and Debt Administration

At the end of 2006, the Township had \$57,591 invested in capital assets, including buildings, and equipment. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law.

Economic Factors and Next Year's Budget and Rate

Seneca Township is in rural Lenawee County, Michigan a farm community. Anticipated property tax increases and growth not expected. In addition, State revenue sharings, which represents 35 percent of the General Fund budget, is likely to decrease, because of the State's current economic state. This will require close tabs on expenditures for the upcoming year. Adjustments will be made to mirror the revenue base, ensuring the continuation of the trend of excess revenues over expenditures.

SENECA TOWNSHIP
Management's Discussion and Analysis
June 30, 2006

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

PHILIP R. RUBLEY

– *Certified Public Accountant* –

133 W. MAIN STREET • MORENCI, MI 49256

PHONE 517/458-2274

FAX 517/458-6353

PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'s
& THE MICHIGAN ASSOCIATION OF C.P.A.'s

December 8, 2006

**Board of Trustees
Township of Seneca
Lenawee County, Michigan**

INDEPENDENT AUDITOR'S REPORT

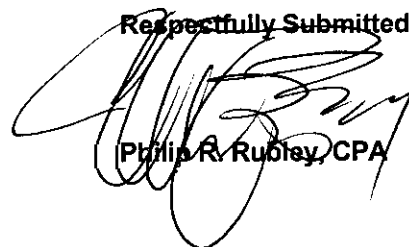
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Seneca Township, Lenawee County, Michigan as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Seneca Township, Lenawee County, Michigan as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 1 through 4 and 20 through 21, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully Submitted,



Philip R. Rubley, CPA

PRR/cab

SENECA TOWNSHIP
Government Wide Statement of Net Assets
June 30, 2006

	Governmental Activities
<u>ASSETS</u>	
Cash - Checking	\$162,239
Property Tax Receivable	167
Receivable - State of Michigan	28,580
Prepaid Expenses	750
Capital Assets Not Being Depreciated	12,000
Capital Assets Being Depreciated, Net	<u>27,701</u>
Total Assets	<u>\$231,437</u>
 <u>LIABILITIES</u>	
Accounts Payable	\$ 1,481
Accrued and Other Liabilities	2,019
Long-Term Liabilities	
Due Within One Year	36,737
Due in More Than One Year	<u>73,474</u>
Total Liabilities	<u>113,711</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets	39,701
Unrestricted	<u>78,025</u>
Total Net Assets	<u>\$117,726</u>

SENECA TOWNSHIP
Government Wide Statement of Activities
Year Ended June 30, 2006

		<u>Program Revenues</u>	
<u>FUNCTIONAL PROGRAMS</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Net (Expense) Revenue</u>
Governmental Activities:			
General Government	\$ 52,860	\$ 8,725	\$ (44,135)
Public Safety	70,491	44,237	(26,254)
Public Works	103,088	3,388	(99,700)
Community and Economic Development	542	---	(542)
Interest on Long-Term Debt	99	---	(99)
Other Functions	<u>6,570</u>	<u>---</u>	<u>(6,570)</u>
Total Governmental Activities	<u>\$233,650</u>	<u>\$56,350</u>	<u>(177,300)</u>
Change in Net Assets			<u>(177,300)</u>
General Revenues:			
Property Taxes			101,859
Intergovernmental Revenues			89,419
Interest Income			3,439
Miscellaneous			<u>7,074</u>
Total General Revenues			<u>201,791</u>
Change in Net Assets			24,491
Net Assets, Beginning of Year			<u>93,235</u>
Net Assets, End of Year			<u>\$ 117,726</u>

SENECA TOWNSHIP
Governmental Fund Balance Sheet
June 30, 2006

	General Fund
<u>ASSETS</u>	
Cash - Checking	\$162,239
Property Tax Receivable	167
Receivable - State of Michigan	28,580
Pre-Paid Expenses	<u>750</u>
Total Assets	<u>\$191,736</u>
 <u>LIABILITIES</u>	
Accounts Payable	\$ 1,481
Accrued Payroll	1,482
Accrued Expenses and Deductions	537
Deferred Revenue	<u>167</u>
Total Liabilities	<u>3,667</u>
 <u>FUND BALANCE</u>	
Unreserved	
Undesignated	<u>188,069</u>
Total Fund Balance	<u>188,069</u>
 Total Liabilities and Fund Balance	 <u>\$191,736</u>

SENECA TOWNSHIP
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds
to Net Assets of Governmental Activities on the Statement of Net Assets
For The Year Ended June 30, 2006

Fund Balances – Total Governmental Funds	\$ 188,069
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**Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:**

Capital assets used in governmental activities
are not financial resources and therefore
are not reported in the funds.

ADD - Capital Assets	57,591
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DEDUCT - Accumulated Depreciation	(17,890)
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Taxes Receivable - Deferred are revenue on the government-wide statement.	167
--	-----

Proceeds from note payable Lenawee County, Michigan treated as a financial resources in period issued, but increases liabilities in the statement of net assets government-wide basis.	<u>(110,211)</u>
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Net Assets of Governmental Activities	<u>\$ 117,726</u>
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SENECA TOWNSHIP
Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance
For The Year Ended June 30, 2006

	<u>General Fund</u>
<u>REVENUES</u>	
Taxes and Assessments	\$139,192
Licenses and Permits	6,737
Intergovernmental	89,419
Charges for Services	8,725
Interest	3,439
Other Revenue	7,074
Metro Act	<u>3,388</u>
Total Revenues	<u>257,974</u>
 <u>EXPENDITURES</u>	
General Government	51,890
Public Safety	73,547
Public Works	103,088
Community & Economic Development	542
Other Functions	6,570
Capital Outlay	<u>1,323</u>
Total Expenditures	<u>236,960</u>
 EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	
	21,014
 Fund Balance, Beginning of Year	 <u>167,055</u>
 Fund Balance, End of Year	 <u>\$188,069</u>

SENECA TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For The Year Ended June 30, 2006

Net Change in Fund Balances – Total Governmental Funds	\$21,014
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**Amounts Reported for Governmental Activities in the
Statement of Activities are Different Because:**

Government funds report capital outlays as expenditures.
However, in the statement of activities, the cost of
those assets is allocated over their estimated
useful lives and reported as depreciation expense.

ADD - Capital Outlay	1,323
DEDUCT - Depreciation Expense	(970)

Repayment of notes payable is a expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	2,957
--	-------

Taxes Receivable - Deferred are revenue on the government-wide statements.	<u>167</u>
---	------------

Change in Net Assets of Governmental Activities	<u><u>\$24,491</u></u>
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SENECA TOWNSHIP
Fiduciary Funds – Statement of Net Assets
June 30, 2006

	Tax Collection Fund
<u>ASSETS</u>	
Cash	\$ ---
Total Assets	<u>\$ ---</u>
<u>LIABILITIES</u>	
Due to Other Governmental Units	\$ ---
Total Liabilities	<u>\$ ---</u>

SENECA TOWNSHIP
Notes to Financial Statements
June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Seneca Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Seneca Township.

A. Reporting Entity

Seneca Township is governed by an elected board. The accompanying financial statements present the government for which government is considered to be financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. There are no business type activities for the township.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

SENECA TOWNSHIP
Notes to Financial Statements
June 30, 2006

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise taxes, intergovernmental revenue licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following fund types:

The Fiduciary Funds account for assets held for other governments in an agency capacity, including tax collection, and other project funds.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government - wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government -wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. **Bank Deposits and Investment** - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

SENECA TOWNSHIP
Notes to Financial Statements
June 30, 2006

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loans associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2. **Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."
3. **Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.
4. **Capital Assets** – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

5. **Long - Term Obligations** – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

SENECA TOWNSHIP
Notes to Financial Statements
June 30, 2006

The general government function of the General Fund is treated as a department for budgetary purposes and its budget is adopted at the object level. No significant adjustments were made to the budget.

6. **Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. **Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

On or before the end of June of each year, the Board presents the proposed budget for review and holds public hearings and a final budget adopted.

The appropriated budget is prepared by fund, function and department.

The general government function of the General Fund is treated as a department for budgetary purposes and its budget is adopted at the object level. No significant adjustments were made to the budget.

- B. **Excess of Expenditures Over Appropriations In Budgeted Funds** - P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2006, the government incurred expenditures in excess of amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Watershed	\$ ---	\$ 172	\$ 172
Other Functions	6,300	6,570	270
Fire	34,075	34,076	1
Capital Outlay	---	1,323	1,323

NOTE 3 – DEPOSITS AND INVESTMENTS

The government unit's deposits and investment policy are in accordance with statutory authority.

SENECA TOWNSHIP
Notes to Financial Statements
June 30, 2006

At year-end the government's deposits and investments were reported in the basic financial statements in the following categories:

**Governmental
Activities**

Cash - Checking	\$162,239
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The checking account balance is insured by federal depository insurance of \$97,373.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Local Governmental Unit or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

	<u>Category</u>				<u>Carrying Amount (Fair Value)</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Uncategorized</u>	
Cash - Checking					
Bank	\$97,373	\$64,866	\$ ---	\$ ---	\$162,239

NOTE 4 – RECEIVABLES

Receivables as of year-end for the government are as follows including applicable allowances for uncollectible accounts.

<u>General Fund</u>	
Taxes Receivable	\$ 167
State of Michigan	<u>28,580</u>
Taxes Receivable	<u>\$28,747</u>

SENECA TOWNSHIP
Notes to Financial Statements
June 30, 2006

NOTE 5 – CAPITAL ASSETS

Governmental Activities	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 12,000	\$ ---	\$ ---	\$ 12,000
Capital Assets Being Depreciated:				
Building	37,722	1,323	---	39,045
Equipment	4,334	---	---	4,334
Office Equipment	<u>2,212</u>	<u>---</u>	<u>---</u>	<u>2,212</u>
Total Capital Assets Being Depreciated	<u>44,268</u>	<u>1,323</u>	<u>---</u>	<u>45,591</u>
Less Accumulated Depreciation For:				
Building	(10,374)	(943)	---	(11,344)
Equipment	(4,334)	---	---	(4,334)
Office Equipment	<u>(2,212)</u>	<u>---</u>	<u>---</u>	<u>(2,212)</u>
Total Accumulated Depreciation	<u>(16,920)</u>	<u>(970)</u>	<u>---</u>	<u>(17,890)</u>
Total Capital Assets, Being Depreciated, Net	<u>27,348</u>	<u>353</u>	<u>---</u>	<u>27,701</u>
Governmental Activities Capital Assets, Net	<u>\$ 39,348</u>	<u>\$ 353</u>	<u>\$ ---</u>	<u>\$ 39,701</u>

Depreciation expense was charged to Governmental Activities - general government for \$970 at June 30, 2006.

SENECA TOWNSHIP
Notes to Financial Statements
June 30, 2006

NOTE 6 – LONG – TERM DEBT

The government owes on an unsecured note with Lenawee County, Michigan for the Ellis Highway Bridge work. This is due over three years at no interest per year paid annually at \$36,737.

<u>Year</u>	<u>Payment Amount</u>	<u>Interest</u>	<u>Principle</u>
2006-2007	\$36,737	\$ ---	\$ 36,737
2007-2008	36,737	---	36,737
2008-2009	<u>36,737</u>	<u>---</u>	<u>36,737</u>
	<u>\$110,211</u>	<u>\$ ---</u>	<u>\$110,211</u>

The only debt service requirements of the government are shown above.

NOTE 7 – RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2006, the government carried insurance through commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from those risks that exceeded its coverage in any of the past three fiscal years.

NOTE 8 – PROPERTY TAXES

The government's property taxes are levied each year, on the taxable valuation of property located within the township. These taxes are due by February 14, with final collection date of February 28, before they are added to the county tax rolls.

Delinquent real property taxes are reimbursed to the local unit through a county revolving tax fund.

The total taxable value of the township is \$37,612,580 of which the township receives \$31,567 for general operations and \$70,154 for road and bridges. And a special assessment for Advance Life Support of \$37,500.

NOTE 9 – PENSION

The government has no pension, and has elected to be inclusive in the social security system.

SENECA TOWNSHIP
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2006

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
<u>BEGINNING OF YEAR</u>				
<u>FUND BALANCE</u>	\$103,000	\$103,000	\$167,055	\$ 64,055
Property Taxes and Special Assessments	128,775	128,775	139,192	10,417
Intergovernmental	87,000	87,000	89,419	2,419
Licenses and Permits	4,000	4,000	6,737	2,737
Charge for Services	8,500	8,500	8,725	225
Interest Income	850	850	3,439	2,589
Other	500	500	7,074	6,574
Metro Act	4,800	4,800	3,388	(1,412)
Total Revenues	<u>337,425</u>	<u>337,425</u>	<u>425,029</u>	<u>87,604</u>
<u>EXPENDITURES</u>				
General Government:				
Township Board	6,150	6,150	5,230	920
Supervisor	8,475	8,475	7,608	867
Elections	150	150	---	150
Professional Fees	6,900	11,900	9,653	2,247
Clerk	9,375	9,375	8,326	1,049
Treasurer	10,275	10,275	8,485	1,790
Board of Review	500	500	444	56
Township Hall	2,975	3,475	1,952	1,523
Assessor	8,500	8,500	8,154	346
Cemetery	3,100	2,600	2,038	562
Total General Government	<u>56,400</u>	<u>61,400</u>	<u>51,890</u>	<u>9,510</u>
Public Safety:				
Inspections	5,000	5,000	4,390	610
Fire	34,075	34,075	34,076	(1)
Advanced Life Support	40,387	37,387	35,081	2,306
Total Public Safety	<u>79,462</u>	<u>76,462</u>	<u>73,547</u>	<u>2,915</u>

SENECA TOWNSHIP
Budgetary Comparison Schedule
General Fund
For The Year Ended June 30, 2006

	<u>Budget Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
Public Works:				
Sanitation	7,000	10,900	10,205	695
Watershed	---	---	172	(172)
Drains	3,000	3,500	3,334	166
Street Lights	800	---	786	(786)
Highways & Bridges	<u>100,000</u>	<u>91,350</u>	<u>88,591</u>	<u>2,759</u>
Total Public Works	<u>110,800</u>	<u>105,750</u>	<u>103,088</u>	<u>2,662</u>
Community & Economic Development:				
Zoning and Planning	<u>1,000</u>	<u>1,000</u>	<u>542</u>	<u>458</u>
Total Community & Economic Development	<u>1,000</u>	<u>1,000</u>	<u>542</u>	<u>458</u>
Other Functions	<u>3,250</u>	<u>6,300</u>	<u>6,570</u>	<u>(270)</u>
Capital Outlay	<u>---</u>	<u>---</u>	<u>1,323</u>	<u>(1,323)</u>
Total Expenditures	<u>250,912</u>	<u>250,912</u>	<u>236,960</u>	<u>13,952</u>
End of Year Fund Balance	<u>\$ 86,513</u>	<u>\$ 86,513</u>	<u>\$188,069</u>	<u>\$101,556</u>

PHILIP R. RUBLEY

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PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'s
& THE MICHIGAN ASSOCIATION OF C.P.A.'s

December 8, 2006

**Township Board
Seneca Township
Lenawee County, Michigan**

We have examined the financial statements of Seneca Township, Lenawee County, Michigan as of and for the year ended June 30, 2006, and have issued our report thereon dated December 8, 2006. As a part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such an evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statement and to assist the auditor in planning and performing his examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements.

Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate. Our examination of the financial statements made in accordance with auditing standards generally accepted in the United States of America, including the study and evaluation of the Township's system of internal accounting control for the year ended June 30, 2006, that was made for the purpose set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

Such study and evaluation disclosed the following conditions which we consider to be material weaknesses for which corrective action by the management of Seneca Township is recommended:

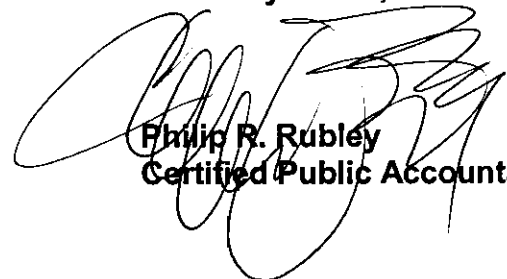
1. MAINTENANCE OF FIXED ASSETS

The Township needs to maintain records of additions and disposals of fixed assets over threshold approved of \$1,000 even in the unaudited years.

The above mentioned conditions were considered in determining the nature, timing, and extent of audit tests to be applied to our examination of the financial statements, and this report does not modify our report dated December 8, 2006, on such financial statements.

If we can be of any further assistance, please do not hesitate in contacting us.

Sincerely Yours,



Philip R. Rubley
Certified Public Accountant